

Quality Management for Small Businesses

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Quality Management

How does your business work?

How well does it work?

And are your staff and customers happy?

This publication provides insights into proven quality management tools and techniques that could help your business performance. A successful business does not just achieve minimum standards for market entry, it continually improves every aspect of the way it works. Building on the experiences of many businesses worldwide, this publication highlights the key stages and issues involved in quality management, which can help you review actions relevant to your business.

This publication is for any business that wants to improve the way it works. It covers: practical, introductory guidance on the steps involved in quality management and process improvement.

Introduction

This publication looks at what quality management is, why it is relevant to your business and how you can make it work for you.

What is Quality Management?

Quality management is about doing things right first time. Whatever your size and type of organisation, and whatever the business process from design to customer relationships, reducing errors by improving the way things are done can have dramatic benefits. Many businesses have used quality management to help:

- provide a clear business focus;
- improve efficiency;
- increase customer satisfaction;
- improve communications; and
- increase cashflow and the potential for profit.

Five steps to quality management

There are many different quality management methodologies. This overview isn't tied to any one methodology. Instead it splits the process up into five simple steps:

- Step 1: Vision, values and mission
- Step 2: Setting objectives and targets
- Step 3: Benchmarking and assessing needs
- Step 4: Process assessment
- Step 5: Process improvement

The steps are designed to help you:

- provide a clear understanding of your business;
- find out what your customers, suppliers and employees want;
- measure your performance;
- assess where you need to improve;
- plan and execute changes to the way you work;
- make sure the changes are effective and lasting.

Step 1: Vision, values and mission

Successful businesses have a clear purpose, set goals and establish ways of doing things. This section is about understanding and establishing what your business stands for and where it wants to go.

Vision

A vision is a highly personal thing – is often comes from one person, rather than being the product of a consultation exercise. It's the kind of passionate, vibrant idea that you can enthuse others with. To be truly successful, a vision has to be reflected and communicated in what you do and way you do it. If you don't have a vision for your business, it may be time to stand back for a few minutes and think. A powerful vision:

- is a clear and passionate statement or picture that shows people how you see the future;
- is personal – if you don't believe in it, neither will others;
- can be adapted – even the strongest visions may have to change over time or in response to changing market conditions.



Values

Values are what you and your business stand for – they are a set of guiding principles by which you operate. Values are also the building blocks for developing relationships with your people, suppliers and customers.

The clearer you are about your values and the better they are communicated and understood, the less time you are going to spend putting in place procedures and controls to make sure things happen in the way you want them to.

The simplest way to draw up a set of values is to speak to your staff, clients and suppliers and ask for their views. Once the survey is complete, see whether there are any common values.

Mission statement

A mission is a cause that unites and inspires a group of people into action. In simple terms, a mission statement answers the question:

why are we in business?

Your mission statement should:

- describe the purpose of your business;
- identify what your business defines as success;
- inform and inspire employees;
- define what success looks like.

A mission should encourage ownership, passion and commitment. The language of a mission needs to personalise your cause – concentrate on using ‘we’, ‘we are’, ‘we do’. Most of all, a mission is a public statement that people can communicate and get behind.

For this to happen, it needs to be:

- succinct – so it is understandable to everyone;
- focused – on the customer and specific to your type of business;
- directional – so it explains what you are trying to accomplish;
- active – ‘deliver high-quality services’ not ‘the delivery of services of high quality’;
- relevant – to everyone in the organisation.

Step 2: setting objectives and targets

Once you have an understanding of what your business is about, you need to set objectives that are linked to your vision and mission.

Step 2 involves:

- defining a set of workable objectives.
- balancing financial and non-financial considerations.
- deciding how to track and measure progress against objectives.

Objectives

Successful business objectives need to be clear, measurable and have a set time frame. They should also cover a range of areas, including:

- Finance – for example improving profit, sales or reducing costs or losses;
- Customers – for example, increasing customer satisfaction, choice, value;
- Internal results – for example, increasing the number of products developed or speeding up the delivery time to customers;
- Growth, learning and innovation – for example, increasing access to knowledge sources, developing organisational skill, improving access to information.

When developing objectives, refer back to your vision, mission and values - ask yourself:

- Does this objective help us achieve the vision and mission of the business?
- Will achieving the objective ultimately add value to the stakeholders of the business?
- Will this objective be measurable?
- Does the person responsible for delivering the objective know what it means and what the deliverables are?

Measurement

Business performance measurement has changed over the last decade. Managers are now measuring those things that influence financial performance, as well as the financial performance itself. This allows decisions to be made long before any financial impact can be recorded.



Producing business measures is relatively easy. However, defining ones which genuinely gauge what you aim to improve is much more difficult.

Ask yourself:

- What is the purpose of the measure?
- Who is going to act on the measure once the information is available?
- What are they going to do with the knowledge gained from the measure?
- Where is the data going to come from?
- Who is going to collect the data?
- How often are they going to collect the data?
- How often will the data be reviewed?
- How much time is it going to take to collect the data – is it worth it?

Read More:

The Strategic Planning Society (SPS) fosters and promotes research and best practice in strategic thought and action – www.sps.org.uk

Step 3: Benchmarking and assessing needs

Central to quality management is the idea that you can't improve what you can't measure.

Benchmarking

Measurement and data collection is key to improving business performance. Before you try to reshape your business, you need to collect at least some data to get an idea of the overall state of the business.

Some key measurements for benchmarking include:

- Not Right First Time (NRFT) – measures a product's ability to match a specification and is expressed in 'number of defect parts per million'.
- Total Training Days/Employees (%) – measures a business's level of training investment.
- Graduates/Employees (%) – indicates level qualified skills in an organisation.

- R&D Expenditure/Turnover (%) – this is an indication of the business's investment in the future.
- Marketing Expenditure/Turnover (%) – this is an indication of the business's investment in its marketing activity.
- Value Of Supplies Delivered On Time/Value Of Bought In Materials (%) - this measures the ability of a business's suppliers to deliver on time.

If you currently collect minimal data, or just financial data, then best practice would be to look at trying to develop a process for performance measurement as a key management tool.

Stakeholder Needs

For the purposes of this publication, we're defining stakeholders simply as the people you need to keep happy to be successful. Key stakeholders include employees, customers, suppliers and investors. You can learn a lot by doing a survey of these groups and asking them to identify the things that matter most to them.

After completing Step 3, you may wish to revisit the objectives you have set in Step 2, and ensure they are specific, measurable, achievable, realistic and time bound (SMART).

Read More:

The Benchmarking Exchange is an online benchmarking best practice network – www.benchnet.com

Step 4: Process assessment

Not every process is of equal importance to your business, so you need to understand which ones are critical to helping your business improve.

Process assessment will help you:

- identify and evaluate current processes
- draw up critical success factors for your business
- assess the impact of current processes and your ability to meet
- these critical success factors.



Types of processes

Typically, business processes fall into two distinct categories: 'operating processes' and 'management support processes'.

- Operating processes are essentially those processes that actually 'add value' to the product/service. They cover areas like: marketing; sales; customer service; strategy; R&D; and production.
- Management support processes are those processes required to keep the operating processes running as effectively and efficiently as possible. They cover areas like: managing suppliers; people information technologies; internal communications; and financial management.

Critical Success Factors (CSFs)

CSFs are areas of the business that have to perform well for business targets and objectives to be met. CSFs are normally identified within such areas as production processes, employee and organisational skills, functions, techniques and technologies.

If you don't have a list of CSFs for your business then you should spend some time analysing the relationships between the CSFs and your business processes. To make your CSFs manageable, best practice is to limit yourself to three CSFs per objective and weight them according to their impact on each objective.

Step 5: Process improvement

Where to begin? In most cases it isn't practical or necessary to change everything about the way you work. You can achieve an enormous amount through carefully targeted changes. Process improvement works best when you:

- perform a cost/benefit analysis of the impact of process changes
- understand how to map and change processes
- measure, track and refine the changes.

Process mapping

A 'process map' describes a process in terms of its key elements and identifies the parties that are involved at each stage of the process. This is an extremely valuable tool

for businesses – before you can change something you need to understand it.

Typically, a process map will include:

- who 'owns' the process – the person who is responsible for the successful operation of the process as a whole;
- where it starts and ends;
- what its inputs and outputs are;
- what activities are contained in the process and how they interact with each other.

Before you can map your process, you will need to identify:

- Critical activities – these are the measurable activities that effect things like quality, cost, and timing;
- Internal business controls – like policies, procedures and management review;
- External business controls – such as customer specifications, legislation and industry regulations;
- Resources – this includes people, equipment, skills and experience.

Next, you should list which measures are in place to monitor performance of the process. These might cover:

- Effectiveness – such as error rate, accuracy, service levels or schedule adherence;
- Efficiency – such as cost per transaction, time per activity and cost per activity;
- Adaptability – such as responsiveness and changeover time.

Once you have done all of this, you should have a good understanding of a particular process and so be in a position to analyse it and pick out its deficiencies.

Process analysis

After you've mapped a process, process analysis will help you to identify the problems and flaws in it – the so-called 'deficiencies'.

Each performance deficiency needs to be assessed in terms of:

- how difficult it is to remove the benefit of removing it – estimated in terms of time saved, money saved, opportunities created, etc.
- the cost of removing it – estimated in terms of cost of materials, cost of manpower, cost of lost sales, cost of disruption, etc.
- the disruption removing it will cause – both during its removal and after its removal.



At this point, you will have created a resource of information showing how your business works, what it needs to do to succeed and where changes need to be made. The final stage before implementing these changes is getting systems in place to monitor your process improvements.

Tracking progress

It's vital that you regularly measure and evaluate any changes you make to your business to check they're working. Ideally, your monitoring procedures should:

- make someone working on the process responsible for collecting performance data
- issue targets for each process improvement project
- include how you are going to present the data collected so that it can be easily understood
- involve regular review of the process while the improvements are being implemented
- include a more detailed review of the process when it is stable.

Further help and advice

Achieving best practice in your business is a key theme within the UK government's approach to business support solutions, providing ideas and insights into how you can improve performance across your business. By showing what works in other businesses, they can help you see what can help you, and then support you in implementation.

Achieving Best Practice in your Business

To access free information and publications on best practice, visit the Business Link website at

www.businesslink.gov.uk/bdotg/action/detail?itemId=1074450434&type=RESOURCES

The website also contains a wide range of practical advice on every aspect of business best practice including overviews of different quality management

methodologies.

Other useful websites

[The British Quality Foundation \(BQF\)](http://www.bqf.org.uk/)

The British Quality Foundation (BQF) is a not-for-profit membership organisation that promotes business excellence.
www.bqf.org.uk/

Scotland

Call Business Gateway on +44 (0) 845 609 6611 or visit the website at:

www.business.scotland.gov.uk/bdotg/action/home?site=202&domain=www.bgateway.com&target=http://www.bgateway.com

Wales

Call Business Eye/Llygad Busnes on +44 (0) 8457 96 97 98 or visit the website at www.busesseye.org.uk

Northern Ireland

Contact NI Business Info on +44 (0) 800 181 4422 or visit the website at www.nibusinessinfo.co.uk/bdotg/action/detail?itemId=1074432115&site=191&type=RESOURCES

Ireland

EIQA is Ireland's leading certification body. Contact them on +353 (1) 6604100
www.eiqa.com/

USA

ASQ is a global community of people passionate about quality.
<http://asq.org/index.aspx>

The American Society for Quality runs a web forum on the 6 Sigma methodologies.
<http://asq.org/sixsigma/>

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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Publication issued or updated on: 24 January 2012

Ref: 626

